

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Milwaukee District Office
310 West Wisconsin Avenue, Suite 1160
Milwaukee, WI 53203-2213
(414)297-1501 Fax: (414)297-1685



May 7, 2007

Re: Case Number [REDACTED]
File Number 018-149

Mr. Joseph Wilfling, President
Machinists Lodge 1855
1070 Meadow Lane
Neenah, WI 54956

Dear Mr. Wilfling:

This office has recently completed an audit of Machinists Lodge 1855 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with William Rogers on June 6, 2007, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that labor organizations maintain adequate records for at least five years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, labor organizations must maintain all records used or received in the course of union business.

For disbursements, this includes not only original bills, invoices, receipts, vouchers, and applicable resolutions, but also documentation showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient(s) of the goods or services. In most instances, this documentation requirement can be satisfied with a sufficiently descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a union officer or employee should write a note on it providing the additional information. For money it receives, the labor organization must keep at least one record showing the date, amount, purpose, and source of that money. The labor organization must also retain bank records for all accounts.

The audit of Lodge 1855's 2006 records revealed the following recordkeeping violations:

1. Expense Records

Union officers failed to maintain adequate documentation for some meal expenses. Although receipts from the restaurants were retained, union records did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. As an example, check [REDACTED] was issued to you for \$60.99. The disbursement journal shows that the reimbursement was for a "lunch." Two receipts totaling \$60.99 were retained in support of the expense; however, the names of those in attendance and the purpose of the lunch were not recorded on any record.

Lodge 1855 did not retain adequate documentation for reimbursed expenses incurred by you, Dale Stabe, William Rogers, and Darcey Beyer totaling at least \$333.37. For example, William Rogers received two checks for audit refreshments, [REDACTED] for \$41.70 and [REDACTED] for \$42.80. However, no receipts were retained for those expenses. Check [REDACTED] was issued to you in the amount of \$69.24 for the purchase of hams and turkeys for a raffle. The receipt was not retained.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Dues Payment Remittance Stubs

Lodge 1855 failed to retain the check stubs for dues payments received from District 121 with the dues check-off reports. The instructions for the Labor Organization Annual financial report LM-3 state that "The officers required to file Form LM-3 are responsible for maintaining records which will provide in sufficient detail the information and data necessary to verify the accuracy and completeness of the report... Any record necessary to verify, explain, or clarify the report must be retained...." The payment stubs must be retained because they show the amount of money received and support receipt information recorded in both union records and the Labor Organization Annual financial report LM-3.

3. Receipt Dates not Recorded

Entries in Lodge 1855's receipts journal reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Lodge 1855 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report Form LM-3 filed by Lodge 1855 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Dispose of Property

Item 13 of the LM-3 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because William Rogers advised that Lodge 1855 gave away tee shirts to members during 2006. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) of such property. Every recipient of such giveaways need not be identified by name. The recipients can be described by broad categories, if appropriate, such as "members" or "new retirees." In addition, the cost, book value, and trade-in allowance for assets traded in must be reported.

2. Disbursements to Officers

Lodge 1855 did not include any reimbursements to officers in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

Lodge 1855 must report most direct disbursements to officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an

officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

3. Reporting of Salaries

Lodge 1855 erroneously reported on the LM-3 that the total disbursements to officers and employees for salaries were \$17,788. The W-3 form that Lodge 1855 filed with the Internal Revenue Service for 2006 reported that the total salaries paid to employees and officers were \$18,213.31, and it appears this is the amount that should have been reported in items 24 and 46.

The instruction for line 24 of the Labor Organization Annual Report (Form LM-3) state that the amount entered should be "the gross salary of each officer... the total of all other direct and indirect disbursements to each officer..."

The instructions for line 46 of the Labor Organization Annual Report (Form LM-3) state that the amount entered should be "the total of all salaries, allowances, travel advances which are not considered loans as explained in the instructions for item 18, and other direct and indirect disbursements (less deductions for FICA, withheld taxes, etc.) to employees of your organization during the reporting period. Include disbursements to individuals other than officers who receive lost time payments even if your organization does not consider them to be employees or does not make any other direct or indirect disbursements to them."

Lodge 1855 must report all disbursements to officers and employees as noted above on lines 24 and 46 of the Labor Organization Annual Report (Form LM-3).

Other Issues

1. Meeting Minutes

During 2006, executive board meeting minutes were not created. Meeting minutes typically document authorization of important financial matters and support the

financial information reported by your union on its LM-3 report. OLMS suggests that unions create minutes of all meetings.

2. Officer Salary

Article III, Section 2 of Lodge 1855's bylaws state that the salary for the secretary treasurer should be two and one half times the amount he is paying in dues per month. Section 3 states that as a member of the executive board, one should receive in salary the amount he is paying in dues per month. During 2006, William Rogers paid monthly dues of \$41.70. Therefore, his monthly salary should have been \$145.95 (quarterly \$437.85). However, during 2006, he received quarterly salary checks in the amount of \$465.15. Mr. Rogers advised during the exit interview that he was unaware that he had been receiving excess salary and that the discrepancy would be fixed immediately.

OLMS recommends that unions record the authorized salary amounts in union records and maintain payroll records that reflect that the authorized salary amounts were properly computed and paid.

I want to extend my personal appreciation to Machinists Lodge 1855 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials provided are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: William Rogers, Secretary/Treasurer
Rick Fisher, Grand Lodge Auditor